



# Puerto Rico Securities Arbitrations: 2,640 Filings, \$408 million in Settlements and Awards so far (updated April, 2018)

By Craig McCann, Chuan Qin and Mike Yan<sup>1</sup>

Craig J. McCann, PhD, CFA  
Principal  
(202) 251-0273  
craigmccann@slcg.com

Chuan Qin, PhD  
Senior Financial Economist  
(703) 539-6778  
chuanqin@slcg.com

Mike Yan, PhD, CFA, FRM  
Principal  
(703) 539-6780  
mikeyan@slcg.com



## Introduction

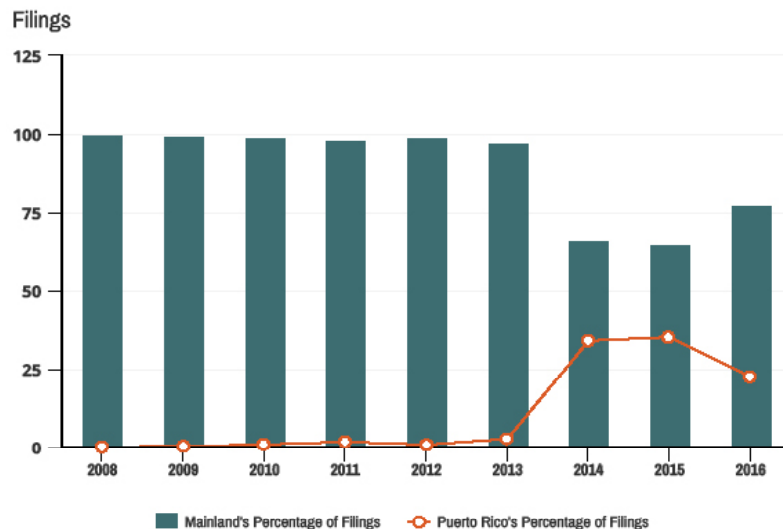
In 2013, a shrinking economy and the government’s loss of continued access to capital markets necessary to make interest payments, refinance principal coming due and to fund an unsustainable government deficit caused Puerto Rico tax exempt bond prices to fall substantially.

Puerto Rico brokerage firms’ customers held poorly diversified securities accounts, concentrated in Puerto Rico municipal bonds or closed end funds that held leveraged portfolios of Puerto Rico municipal bonds. Often these accounts were further leveraged using margin debt, lines of credit or proceeds from non-purpose loans recycled through third-party banks.

The decline in Puerto Rico municipal bond prices combined with widespread concentrated and leveraged brokerage accounts wiped out many Puerto Rican’s investment portfolios in the second half of 2013.

Arbitration filings against brokerage firms in Puerto Rico have increased dramatically since 2012. Despite having roughly 1% of the mainland population and 1/2 of 1% of the mainland economy, customer arbitration filings in Puerto Rico have been over 33% of the mainland filings in 2014 and 2015. See Figure 1.

As we explain below, these arbitrations are filed against brokerage firms, not individual brokers. Yet, FINRA forces individual brokers who are not being sued to report the arbitration filings and settlements as black marks on their records while leaving the brokerage firms’ public disclosures largely unscathed.



**Figure 1:** Arbitration Filings in Puerto Rico Increased Dramatically After 2012

Securities Litigation & Consulting Group  
8401 Greensboro Drive, Ste. 1050  
McLean, VA 22102  
(703) 246-9820  
info@slcg.com  
www.slcg.com

**Table 1:** Securities Arbitrations against UBS, Santander, Popular, Oriental, and Merrill Lynch in Puerto Rico

<b>Securities Arbitrations in Puerto Rico Since 2013</b>									
		Number					Monetary Results		
		Filed	Settled	Arbitrated		Withdrawn	Pending	Settlements	Awards
				Win	Loss				
2013	Q4	44					44		
	subtotal	44							
2014	Q1	132					176	\$232,232	
	Q2	200					376		
	Q3	187	1				562	\$206,102	
	Q4	193	4				751	\$400,118	
	subtotal	712	5					\$838,451	
2015	Q1	72	19	1	1		802	\$8,921,500	\$17,500
	Q2	97	29	2		1	867	\$8,733,886	\$1,200,000
	Q3	253	65	4	1		1,050	\$12,632,975	\$6,611,486
	Q4	183	85	3		5	1,140	\$18,623,770	\$2,304,099
	subtotal	605	198	10	2	6		\$48,912,131	\$10,133,085
2016	Q1	114	109	3	1	4	1,137	\$22,390,465	\$3,132,588
	Q2	129	110	1	2	13	1,140	\$17,556,703	\$395,197
	Q3	159	123	3		5	1,168	\$20,672,135	\$1,604,856
	Q4	90	145	4		3	1,106	\$27,233,662	\$20,570,976
	subtotal	492	487	11	3	25		\$87,852,964	\$25,703,617
2017	Q1	77	157	6		2	1,018	\$50,251,567	\$33,788,296
	Q2	138	135	2	1	1	1,017	\$36,564,118	\$866,678
	Q3	151	117			2	1,049	\$44,007,500	
	Q4	201	118				1,132	\$26,293,933	
	subtotal	567	527	8	1	5		\$157,117,117	\$34,654,974
2018	Q1	211	105	5	1	1	1,231	\$34,964,777	\$3,174,970
	Q2	9	16				1,224	\$4,225,688	
	subtotal	220	121	5	1	1		\$39,190,465	\$3,174,970
	To Date	2,640	1,338	34	7	37	1,224	\$333,911,129	\$73,666,646

## Arbitration Statistics

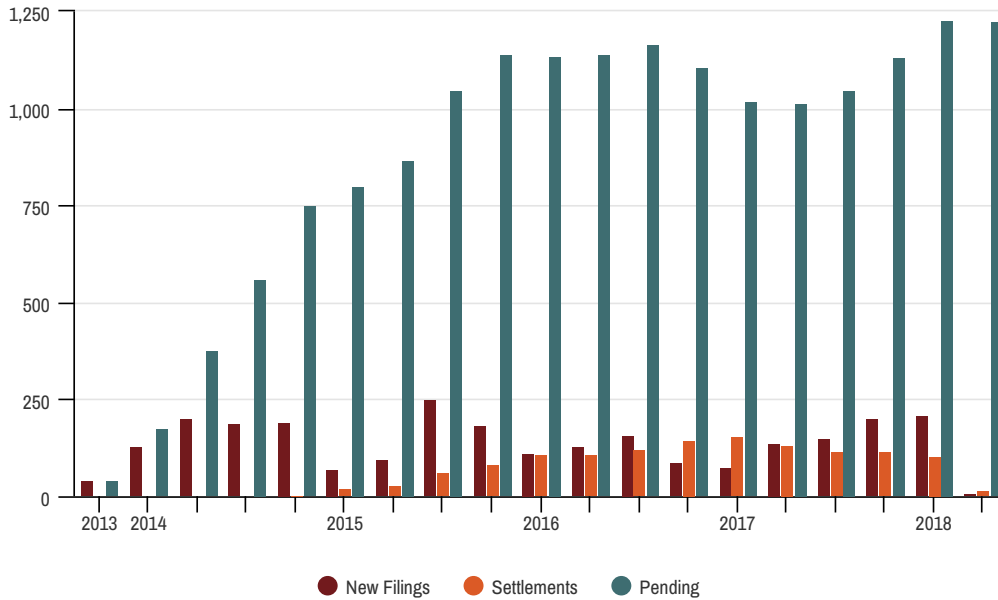
At least 2,420 arbitration cases have been filed against UBS Financial Services Inc. of Puerto Rico, Santander Securities LLC, Popular Securities LLC, Oriental Financial Services Corp. and Merrill Lynch, Pierce, Fenner & Smith Inc. between October 1, 2013 and December 31, 2017. At least 220 more arbitration complaints were filed in 2018. See Table 1 and Figure 2. <sup>2</sup>

The number of new arbitration filings peaked in 2014 at 712 but at least 567 new arbitrations were filed in 2017. Settlements and arbitration awards naturally lag filings. 5 cases were settled in 2014, 198 cases were settled in 2015, 487 cases were settled in 2016 and 527 cases were settled in 2017. With at least 1,224 cases still pending as of April 25, 2018 and new cases still being filed

each quarter, it will be several more years before the Puerto Rico securities arbitrations associated with municipal bond losses in 2013 and thereafter are wound down.

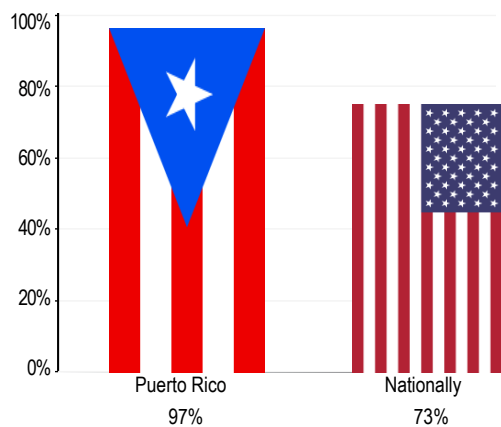
1,338 cases have been settled for a total of \$333.9 million. 41 cases had gone to final arbitration hearings resulting in 34 customer awards totaling \$73.7 million as of April 25, 2018.

## Filings

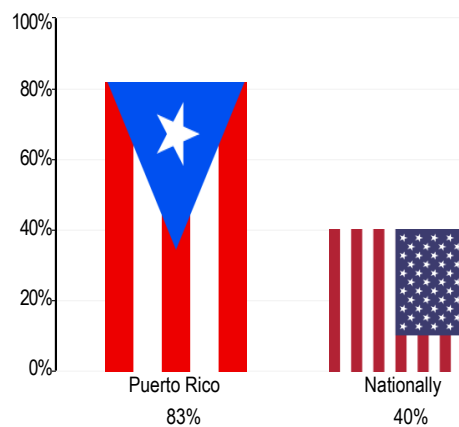


**Figure 2:** Filings Continue to Accumulate, Pending Claims Increased

a) Cases Settled vs Arbitrated



b) Arbitrated Cases Won by Customer



**Figure 3:** Cases Settled vs Arbitrated in Puerto Rico and Nationally; Arbitrated Cases Won by Customers in Puerto Rico and Nationally

The 1,338 settled cases through April 25, 2018 are 97% of the Puerto Rico cases which were either settled or adjudicated. According to FINRA 72.6% of all cases which were either settled or adjudicated from 2014 to 2016 were settled. See Figure 3 a).

At 34-7, customers have so far won 82.9% of the final awards. In contrast, according to FINRA, customers won only 525 of 1,309 (40.1%) final awards during the 2014-2016 time period. The Claimants in Puerto Rico securities arbitrations going to a hearing have been more than twice as successful as the typical FINRA claimant. See Figure 3 b).

The much lower proportion of Puerto Rico cases which go to a hearing than mainland cases and the fact that customers are winning in Puerto Rico at twice the national average strongly suggests too many cases are settling in Puerto Rico rather than going to a hearing.

1,907 of the arbitration cases – 72.2% of the total reported by April 25, 2018 – have been filed against UBS Financial Services Inc. of Puerto Rico (“UBS PR”). UBS PR has settled or arbitrated 1,143 of its cases and 27 have been withdrawn so 737 remained reported as pending on April 25, 2018. See Table 2 and Figure 4.

In addition, 372 of the arbitration cases – 14.1% of the total reported by April 25, 2018 – have been filed against Santander Securities LLC (“Santander”).

Santander had settled or arbitrated 109 cases and 2 have been withdrawn so 261 remained reported as pending on April 25, 2018.

163 of the arbitration cases – 6.2% of the total reported by April 25, 2018 – have been filed against Popular Securities LLC (“Popular”). Popular had settled or arbitrated 53 cases and 5 were withdrawn so 105 remained reported as pending on April 25, 2018.

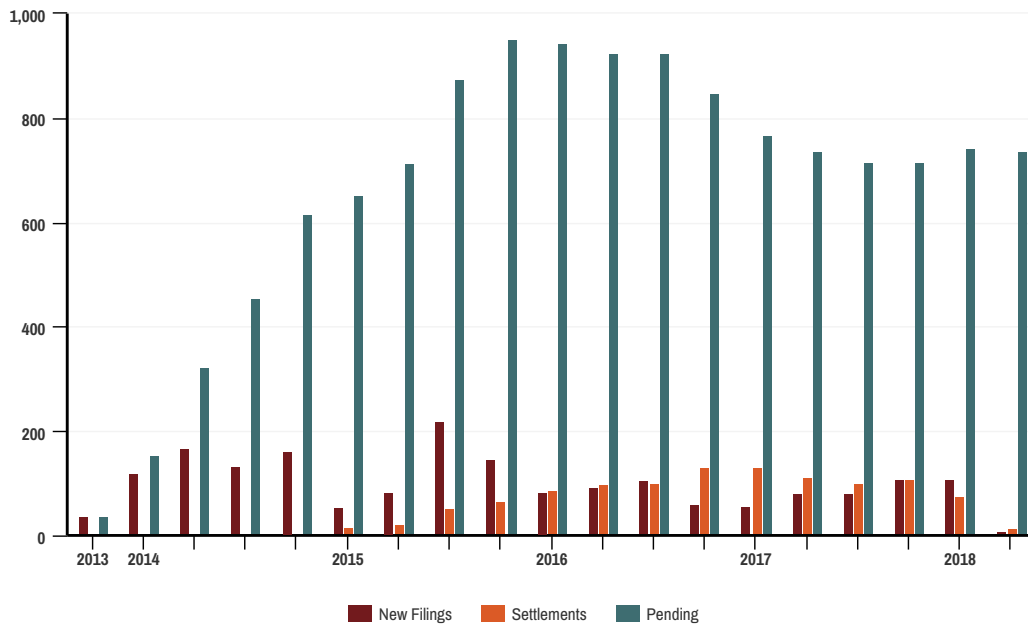
88 of the arbitration cases – 3.3% of the total reported by April 25, 2018 – have been filed against Merrill Lynch. Merrill Lynch had settled or arbitrated 44 cases and 2 were withdrawn so 42 remained reported as pending on April 25, 2018.

110 of the arbitration cases – 4.2% of the total reported by April 25, 2018 – have been filed against Oriental Financial Services Corp. (“Oriental”). Oriental had settled or arbitrated 30 cases and 1 has been withdrawn so 79 remained reported as pending on April 25, 2018.

**Table 2:** Securities Arbitrations Filed and Pending by Brokerage Firm

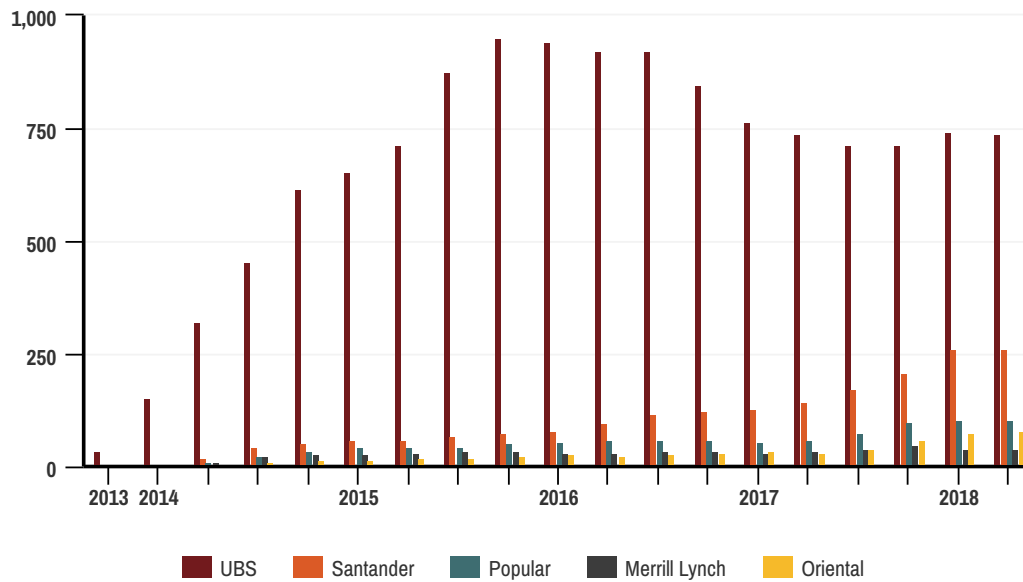
Securities Arbitrations in Puerto Rico														
		Total		UBS PR		Santander		Popular		Merrill Lynch		Oriental		
		Filed	Pending	Filed	Pending	Filed	Pending	Filed	Pending	Filed	Pending	Filed	Pending	
2013	Q4	44	44	37	37	2	2	1	1	3	3	1	1	
subtotal		44		37		2		1		3		1		
2014	Q1	132	176	118	155	6	8	1	2	5	8	2	3	
	Q2	200	376	168	323	13	21	11	13	4	12	4	7	
	Q3	187	562	134	456	24	45	12	25	11	23	6	13	
	Q4	193	751	162	616	11	54	11	36	5	28	4	17	
subtotal		712		582		54		35		25		16		
2015	Q1	72	802	55	654	7	59	7	43	2	30	1	16	
	Q2	97	867	84	712	4	59	1	44	3	32	5	20	
	Q3	253	1,050	220	876	15	70	7	46	8	37	3	21	
	Q4	183	1,140	146	951	16	77	10	51	6	35	5	26	
subtotal		605		505		42		25		19		14		
2016	Q1	114	1,137	84	942	16	79	8	56	2	32	4	28	
	Q2	129	1,140	92	924	23	97	7	59	7	34	0	26	
	Q3	159	1,168	105	923	31	117	10	61	6	38	7	29	
	Q4	90	1,106	60	848	16	127	5	61	2	36	7	34	
subtotal		492		341		86		30		17		18		
2017	Q1	77	1,018	56	767	13	127	2	56	2	33	4	35	
	Q2	138	1,017	82	737	33	146	13	62	6	38	4	34	
	Q3	151	1,049	80	715	34	174	18	78	7	41	12	41	
	Q4	201	1,032	108	715	42	210	24	99	7	47	20	61	
subtotal		567		326		122		57		22		40		
2018	Q1	211	1,231	109	743	65	262	15	106	2	42	20	78	
	Q2	9	1,224	7	737	1	261		105		42	1	79	
subtotal		220		116		66		15		2		21		
To Date		2,640	1,224	1,907	737	372	261	163	105	88	42	110	79	

### Filings



**Figure 4:** Vast Majority of Filings Against UBS

### Pending Cases



**Figure 5:** More than 700 Pending Cases Remain Against UBS

## Methodology and Data

We identify arbitration filings and settlements by examining the Broker-Check reports of brokers registered with UBS PR, Santander, Popular, Oriental and Merrill Lynch at any time between 2005 and 2013. We assign arbitration filings found on the brokers' Broker-Check reports according to a field which identifies the employing firm where the complained of conduct occurred. For example, if a current Santander broker has an arbitration filing listed on her BrokerCheck report that specifies UBS PR as the firm where the conduct occurred we assign that filing to UBS PR not Santander.

We found 3,653 arbitrations filed after September 30, 2013 on 331 individual brokers' BrokerCheck reports. After eliminating duplicates, 2,640 unique arbitrations were reported on at least one broker's BrokerCheck report as having been filed against the five Puerto Rico brokerage firms between October 1, 2013 and April 25, 2018.

Since brokerage firms associate most but not all arbitration filings with one or more individual brokers and only arbitrations resulting in a customer award at final hearing are reflected on brokerage firms' BrokerCheck reports, our results may underestimate the actual number of cases filed, settled or still pending.

In addition, brokerage firms appear to have considerable discretion when reporting dollar values of individual settlements and awards. For instance, we observe settlements and awards where Claimants receive large cash payments and are absolved of debit balances created as a result of investment losses complained about and which Respondents seek to collect. Claimants' counsel is typically compensated for debit balances zeroed out and logically these nullified debit balances should be included in the disclosed monetary compensation paid but are not.

FINRA and the brokerage firms have information which would reflect additional filings and settlements and higher dollar figures than we can estimate from individual brokers' BrokerCheck reports. The industry could disclose precisely how many cases have been filed against a firm in Puerto Rico and how much has been paid to settle the cases but does not disclose this information.

We develop our lower bound estimate of the number of cases filed, settled or pending by building up from cases identified on brokers' BrokerCheck reports because brokerage firms' BrokerCheck reports are uninformative. For example, UBS PR's BrokerCheck report (available at [https://files.brokercheck.finra.org/firm/firm\\_13042.pdf](https://files.brokercheck.finra.org/firm/firm_13042.pdf)) includes only 30 cases filed since October 1, 2013 even though at least 1,907 arbitrations have been filed against UBS PR since that date. These 30 cases are only the cases which have gone to a final hearing and which UBS PR reported having lost by April 25, 2018. FINRA does not report the remaining 1,877 arbitrations filed against UBS PR on UBS PR's Broker-Check report.

Brokers are not named in the vast majority of arbitrations filings; in most cases customers sue only their brokerage firm - UBS PR, Santander, Popular, Oriental and Merrill Lynch in the case of recent Puerto Rico securities arbitrations. Brokers rarely make any contribution to the payments. Brokers contributed to only 0.15% (2 of 1,338) of the settlements identified in Table 1, and only 0.014% (\$47,178) of the \$333.9 million in settlements.

Despite not being named in the arbitrations and not contributing to the settlements, the 1,338 settled cases filed since October 1, 2013 are reported on the brokers' BrokerCheck reports but missing from the BrokerCheck reports of the brokerage firms actually being sued - UBS PR, Santander, Popular, Oriental and Merrill Lynch.

FINRA applies the same perverse logic to pending cases. The 1,224 pending cases we identified are all listed on at least one individual broker's Broker-Check report yet all are missing from the BrokerCheck reports of UBS PR, Santander, Popular, Oriental and Merrill Lynch.

In sum, there have been at least 2,640 arbitrations filed against UBS PR, Santander, Popular, Oriental and Merrill Lynch in Puerto Rico but only 34 show up on these five firms' Broker-Check reports despite the lawsuits being virtually all filed only against the brokerage firms; all but 7 cases where the customer lost at a final hearing on the other hand are on the individual brokers' BrokerCheck reports despite the fact the brokers were not sued and were not contributing to the settlements.

## UBS Financial Services, Inc. of Puerto Rico

UBS Financial Services Inc. of Puerto Rico is a FINRA-registered brokerage firm based in Hato Rey, PR. It was formed in April 1978, has been registered with SEC since November 1982, registered with FINRA since March 1983, and registered with the Office of the Commissioner of Financial Institutions (“OCFI”) since September 1984.<sup>3</sup> At the end of 2013 UBS PR employed 231 FINRA-registered brokers working out of offices in San Juan, Guaynabo, Ponce, and Mayaguez.<sup>4</sup> The firm’s customer assets under control was \$16.4 billion and \$11.6 billion as of December 31, 2012 and December 31, 2013, respectively.<sup>5</sup>

UBS PR’s parent company, UBS Financial Services Inc., currently has 14,489 employees. 12,553 of these employees are registered representatives of a broker-dealer and 10,423 perform investment advisory functions. UBS Financial Services Inc. has \$358.3 billion in regulatory assets under management in 860,383 discretionary or non-discretionary customer accounts.

There are 387 brokers registered with UBS PR at some point in time between 2005 and 2013. 192 of these brokers have at least one customer complaint against UBS PR on their BrokerCheck reports filed on or after October 1,

2013.<sup>6</sup> The total number of customer complaints against UBS PR reported on these brokers’ BrokerCheck reports is 2,841. Removing duplicates, we find that there are 1,907 customer-related arbitrations reported on individual brokers’ BrokerCheck reports as filed against UBS PR between October 1, 2013 and April 25, 2018.

UBS PR has paid at least \$286 million settling 1,110 filings as of April 25, 2018. 33 have gone to a final hearing and at least 737 are still pending with many more being filed each quarter. See Table 3.

Arbitrations Against UBS Financial Services, Inc. of Puerto Rico									
		Number					Monetary Results		
		Filed	Settled	Arbitrated		Withdrawn	Pending	Settlements	Awards
				Win	Loss				
2013	Q1	37					37		
	subtotal	37							
2014	Q1	118					155		
	Q2	168					323		
	Q3	134	1				456	\$165,050	
	Q4	162	2				616	\$132,000	
	subtotal	582	3					\$297,050	
2015	Q1	55	17				654	\$8,738,500	
	Q2	84	23	2		1	712	\$7,406,782	\$1,200,000
	Q3	220	51	4	1		876	\$9,991,025	\$6,611,486
	Q4	146	64	3		4	951	\$16,172,239	\$2,304,099
	subtotal	505	155	9	1	5		\$42,308,546	\$10,115,585
2016	Q1	84	87	3	1	2	942	\$19,516,215	\$3,132,588
	Q2	92	97	1	1	11	924	\$16,268,703	\$395,197
	Q3	105	99	2		5	923	\$18,549,635	\$1,250,000
	Q4	60	130	4		1	848	\$24,652,112	\$20,570,976
	subtotal	341	413	10	2	19		\$78,986,664	\$25,348,761
2017	Q1	56	131	5		1	767	\$43,795,586	\$32,980,296
	Q2	82	110	2			737	\$31,909,055	\$866,678
	Q3	80	101			1	715	\$35,979,000	
	Q4	108	108				715	\$25,286,433	
	subtotal	326	450	7		2		\$136,970,073	\$33,846,974
2018	Q1	109	76	4		1	743	\$24,771,777	\$2,924,970
	Q2	7	13				737	\$2,675,688	
	subtotal	116	89	4		1		\$27,447,465	\$2,924,970
	To Date	1,907	1,100	30	3	27	737	\$286,009,799	\$72,236,290

**Table 3:** Securities Arbitrations filed against UBS

## Santander Securities LLC

Santander Securities LLC is a brokerage and investment advisor firm formed in Puerto Rico in November 2011 headquartered in Dorchester, Massachusetts.<sup>7</sup> It has been registered with SEC, FINRA, and the OCFI since December 1996.<sup>8</sup> At the end of 2013 Santander had 85 FINRA-registered brokers in offices in San Juan, Guaynabo, Mayaguez, Bayamon, and Carolina.<sup>9</sup> Customer assets under the firm's control was \$5.65 billion at the end of 2012 and \$4.52 billion at the end of 2013.<sup>10</sup>

Santander has been registered with SEC since September 1999 as an investment advisor firm.<sup>11</sup> The firm currently has

844 employees. 217 of these employees perform investment advisory functions and 715 are registered representatives of a broker-dealer. Santander has \$556.14 billion in regulatory assets under management in 3,432 customer accounts, all non-discretionary. The firm currently has no branch office in Puerto Rico.<sup>12</sup>

There are 225 brokers who were registered with Santander Securities LLC at some time between 2005 and 2013 and had an office in Puerto Rico. 55 of these brokers have at least one customer complaint against Santander on their BrokerCheck reports filed on or after October 1, 2013. The total number of

customer complaints against Santander reported on these brokers' BrokerCheck reports is 526. Eliminating duplicates, we find that there are 372 customer-related arbitrations reported on individual brokers' BrokerCheck reports as filed against Santander Securities LLC between October 1, 2013 and April 25, 2018.

Santander has paid \$33.3 million settling 107 of them as of April 25, 2018. 2 have gone to a final hearing and 261 are still pending with many more being filed each quarter.

**Table 4:** Securities Arbitrations filed against Santander Securities

Arbitrations Against Santander Securities LLC									
		Number					Monetary Results		
		Filed	Settled	Arbitrated		Withdrawn	Pending	Settlements	Awards
				Win	Loss				
2013	Q4	2					2		
	subtotal	2							
2014	Q1	6					8		
	Q2	13					21		
	Q3	24					45		
	Q4	11	2				54	\$211,000	
	subtotal	54	2					\$211,000	
2015	Q1	7	1	1			59	\$120,000	\$17,500
	Q2	4	4				59	\$1,029,103	
	Q3	15	4				70	\$465,000	
	Q4	16	9				77	\$1,190,000	
	subtotal	42	18	1				\$2,804,103	\$17,500
2016	Q1	16	14				79	\$2,483,750	
	Q2	23	3		1	1	97	\$407,500	
	Q3	31	11				117	\$1,421,500	
	Q4	16	6				127	\$1,725,000	
	subtotal	86	34		1	1		\$6,037,750	
2017	Q1	13	13				127	\$5,039,000	
	Q2	33	13			1	146	\$3,392,063	
	Q3	34	6				174	\$7,166,000	
	Q4	42	6				210	\$760,000	
	subtotal	122	38			1		\$16,357,063	
2018	Q1	65	13				262	\$7,081,000	
	Q2	1	2				261	\$800,000	
	subtotal	66	15					\$7,881,000	
	To Date	372	107	1	1	2	261	\$33,290,916	\$17,500



## Popular Securities, LLC

Popular Securities LLC is a brokerage and investment advisor firm based in San Juan, Puerto Rico and was formed in Puerto Rico in January 2014. The firm has been registered with SEC since November 1979, with FINRA since February 1980, and with the state regulator in Puerto Rico since September 1984.<sup>13</sup> At the end of 2013 Popular had 119 FINRA-registered brokers in offices in San Juan, Mayaguez, Arecibo, and Ponce.<sup>14</sup> The firm's customer asset under control was \$4.63 billion at the end of 2012 and \$4.05 billion at the end of 2013.<sup>15</sup>

Popular has been registered with SEC since September 2000 as an investment

advisor firm.<sup>16</sup> The firm currently has 127 employees. 50 of these employees perform investment advisory functions and 127 are registered representatives of a broker-dealer. Popular has \$824,400,000 regulatory assets under management in 1,713 non-discretionary customer accounts. The firm has five Puerto Rico branch offices in the cities of San Juan, Mayaguez, Ponce, and Santurce.<sup>17</sup>

There are 235 brokers who were registered with Popular at some time between 2005 and 2013 and had an office in Puerto Rico. 59 of these brokers have at least one customer complaint against

Popular on their BrokerCheck reports filed on or after October 1, 2013. The total number of customer complaints against Popular reported on these brokers' BrokerCheck reports is 275. Eliminating duplicates, we find that there are 163 customer-related arbitrations reported on individual brokers' BrokerCheck reports as filed against Popular between October 1, 2013 and April 25, 2018.

Popular has paid \$6.1 million settling 51 of the customer complaints as of April 25, 2018. 2 have gone to a final hearing and 105 are still pending.

Arbitrations Against Popular Securities LLC								
		Number					Monetary Results	
		Filed	Settled	Arbitrated		Withdrawn	Pending	Settlements
				Win	Loss			
2013	Q4	1					1	
subtotal		1						
2014	Q1	1					2	
	Q2	11					13	
	Q3	12					25	\$41,052
	Q4	11					36	\$57,118
subtotal		35						\$98,170
2015	Q1	7					43	
	Q2	1					44	
	Q3	7	5				46	\$239,450
	Q4	10	4			1	51	\$302,500
subtotal		25	9			1		\$541,950
2016	Q1	8	2			1	56	\$62,500
	Q2	7	4				59	\$374,000
	Q3	10	7	1			61	\$498,000
	Q4	5	3			2	61	\$205,000
subtotal		30	16	1		3		\$1,139,500
2017	Q1	2	7				56	\$479,481
	Q2	13	7				62	\$668,000
	Q3	18	1			1	78	\$215,000
	Q4	24	3				99	\$172,500
subtotal		57	18			1		\$1,534,981
2018	Q1	15	7	1			106	\$2,080,000
	Q2		1				105	\$750,000
subtotal		15	8	1				\$2,830,000
								\$250,000
To Date		163	51	2		5	105	\$6,144,601
								\$604,856

**Table 5:** Securities Arbitrations files against Popular Securities

## Merrill Lynch, Pierce, Fenner & Smith Inc. (“Merrill Lynch”)

Merrill Lynch is a brokerage and investment advisor firm based in New York, New York and was formed in Delaware in November 1958. The firm has been registered with SEC since March 1959, with FINRA since January 1937, and with the state regulator in Puerto Rico since September 1984.<sup>18</sup> As of the end of 2013 Merrill Lynch had 52 FINRA-registered brokers in offices in Guaynabo.<sup>19</sup> The customer asset under the firm’s control was \$4,169,217,270 at the end of 2012 and \$3,900,450,957 at the end of 2013.<sup>20</sup>

Merrill Lynch has been registered with SEC since December 1978 as an invest-

ment advisor firm.<sup>21</sup> The firm currently has 39,631 employees. 25,760 of these employees perform investment advisory functions and 33,070 are registered representatives of a broker-dealer. Merrill Lynch has \$575,341,577,965 regulatory assets under management in 1,715,259 customer accounts, either discretionary or non-discretionary.<sup>22</sup> Merrill Lynch has one Puerto Rico branch offices in the city of Guaynabo according to the firm’s website.<sup>23</sup>

There are 69 brokers who were registered with Merrill Lynch at some time between 2005 and 2013 and had an office in Puerto Rico. 32 of these brokers

have at least one customer complaint against Merrill Lynch on their BrokerCheck reports filed on or after October 1, 2013. The total number of customer complaints against Merrill Lynch reported on these brokers’ BrokerCheck reports is 113. Eliminating duplicates, we find that there are 88 customer-related arbitrations reported on individual brokers’ BrokerCheck reports as against Merrill Lynch filed between October 1, 2013 and April 25, 2018.

Merrill Lynch has paid \$6.5 million settling 43 of them as of April 25, 2018. One has gone to a final hearing, 2 were withdrawn and 42 were still pending as of April 25, 2018.

**Table 6:** Securities Arbitrations filed against Merrill Lynch

Arbitrations Against Merrill Lynch								
		Number					Monetary Results	
		Filed	Settled	Arbitrated		Withdrawn	Pending	Settlements
				Win	Loss			
2013	Q4	3					3	
	subtotal	3						
2014	Q1	5					8	\$232,232
	Q2	4					12	
	Q3	11					23	
	Q4	5					28	
	subtotal	25						\$232,232
2015	Q1	2					30	
	Q2	3	1				32	\$298,000
	Q3	8	3				37	\$1,880,000
	Q4	6	8				35	\$948,497
	subtotal	19	12					\$3,126,497
2016	Q1	2	4			1	32	\$172,500
	Q2	7	4			1	34	\$259,000
	Q3	6	2				38	\$95,000
	Q4	2	4				36	\$591,550
	subtotal	17	14			2		\$1,118,050
2017	Q1	2	5				33	\$902,500
	Q2	6	1				38	\$40,000
	Q3	7	4				41	\$180,000
	Q4	7	1				47	\$75,000
	subtotal	22	11					\$1,197,500
2018	Q1	2	6		1		42	\$875,000
	Q2						42	
	subtotal	2	6		1			\$875,000
To Date		88	43	0	1	2	42	\$6,549,279

## Oriental Financial Services Corp

Oriental Financial Services Corp. is a brokerage and investment advisor firm based in San Juan, Puerto Rico and was formed in Puerto Rico in December 1991. The firm has been registered with SEC since August 1992, with FINRA and the state regulator in Puerto Rico since January 1993.<sup>24</sup> At the end of 2013 Oriental had 55 FINRA-registered brokers in offices in San Juan, Guaynabo, Ponce, Mayaguez, and Humacao.<sup>25</sup> Customer assets under the firm's control was \$2,135,842,000 at the end of 2012 and \$2,381,054,000 at the end of 2013.<sup>26</sup>

Oriental has been registered with SEC since April 2015 as an investment advisor firm.<sup>27</sup> The firm currently has 47 employees. All these employees perform investment advisory functions and are registered representatives of a broker-dealer. Oriental has \$119,240,240 regulatory assets under management in 496 non-discretionary customer accounts. The firm has eleven Puerto Rico branch offices in the cities of Guaynabo, San Juan, Mayaguez, Ponce, Humacao, and Yauco.<sup>28</sup>

There are 132 brokers who were registered with Oriental at some time between 2005 and 2013 and had an office

in Puerto Rico. 30 of these brokers have at least one customer complaint against Oriental on their BrokerCheck reports filed on or after October 1, 2013. The total number of customer complaints against Oriental reported on these brokers' BrokerCheck reports is 142. Eliminating duplicates, we find that there are 110 customer-related arbitrations reported on individual brokers' BrokerCheck reports as against Oriental filed between October 1, 2013 and April 25, 2018.

Oriental has paid \$1.9 million settling 27 of the customer complaints as of April 25, 2018. Three have gone to a final hearing and 79 are still pending.

Arbitrations Against Oriental Financial Services Corp.									
		Number					Monetary Results		
		Filed	Settled	Arbitrated		Withdrawn	Pending	Settlements	Awards
				Win	Loss				
2013	Q4	1					1		
subtotal		1							
2014	Q1	2					3		
	Q2	4					7		
	Q3	6					13		
	Q4	4					17		
subtotal		16							
2015	Q1	1	1	1			16	\$63,000	
	Q2	5	1				20		
	Q3	3	2				21	\$57,500	
	Q4	5					26	\$10,534	
subtotal		14	4	1				\$131,034	
2016	Q1	4	2				28	\$155,500	
	Q2	0	2				26	\$247,500	
	Q3	7	4				29	\$108,000	
	Q4	7	2				34	\$60,000	
subtotal		18	10					\$571,000	
2017	Q1	4	1	1		1	35	\$35,000	\$808,000
	Q2	4	4		1		34	\$555,000	
	Q3	12	5				41	\$467,500	
	Q4	20					61		
subtotal		40	10	1	1	1		\$1,057,500	\$808,000
2018	Q1	20	3				78	\$157,000	
	Q2	1					79		
subtotal		21	3					\$157,000	
To Date		110	27	1	2	1	79	\$1,916,534	\$808,000

**Table 7:** Securities Arbitrations filed against Oriental Financial Services

## Endnotes

1. © Securities Litigation and Consulting Group, Inc, 2018. The primary authors of this report are Craig McCann, Chuan Qin and Mike Yan.
2. The numbers reported in the text and tables are based on BrokerCheck reports downloaded on April 25, 2018.
3. UBS of Puerto Rico's BrokerCheck report is available at [http://files.brokercheck.finra.org/firm/firm\\_13042.pdf](http://files.brokercheck.finra.org/firm/firm_13042.pdf)
4. Based on BrokerCheck reports as of December 31, 2013.
5. See [http://www.ocif.gobierno.pr/documents/Q2-2013/total\\_customer\\_asset\\_under\\_control.pdf](http://www.ocif.gobierno.pr/documents/Q2-2013/total_customer_asset_under_control.pdf) at the Office of the Commissioner of Financial Institutions of Puerto Rico:
6. A customer complaint is a "Customer Dispute" event with status "Settled", "Pending", or "Award/Judgment" as disclosed on a broker's BrokerCheck report.
7. Santander moved its home office location from San Juan, PR to Dorchester, MA in July 2016.
8. Santander's BrokerCheck report is available at [https://files.brokercheck.finra.org/firm/firm\\_41791.pdf](https://files.brokercheck.finra.org/firm/firm_41791.pdf).
9. Based on BrokerCheck reports as of December 31, 2013.
10. See [http://www.ocif.gobierno.pr/documents/Q2-2013/total\\_customer\\_asset\\_under\\_control.pdf](http://www.ocif.gobierno.pr/documents/Q2-2013/total_customer_asset_under_control.pdf).
11. See [https://www.adviserinfo.sec.gov/IAPD/IAPDFirmSummary.aspx?ORG\\_PK=41791](https://www.adviserinfo.sec.gov/IAPD/IAPDFirmSummary.aspx?ORG_PK=41791).
12. See the Form ADV filed by Santander on January 5, 2017.
13. See FINRA's BrokerCheck report for Popular here [http://files.brokercheck.finra.org/firm/firm\\_8096.pdf](http://files.brokercheck.finra.org/firm/firm_8096.pdf)
14. Based on BrokerCheck reports as of December 31, 2013.
15. See [http://www.ocif.gobierno.pr/documents/Q2-2013/total\\_customer\\_asset\\_under\\_control.pdf](http://www.ocif.gobierno.pr/documents/Q2-2013/total_customer_asset_under_control.pdf).
16. See [https://www.adviserinfo.sec.gov/IAPD/IAPDFirmSummary.aspx?ORG\\_PK=8096](https://www.adviserinfo.sec.gov/IAPD/IAPDFirmSummary.aspx?ORG_PK=8096).
17. See the Form ADV of Popular, last updated on September 30, 2016.
18. See FINRA's BrokerCheck report for Merrill Lynch.
19. Based on BrokerCheck reports as of December 31, 2013.
20. See [http://www.ocif.gobierno.pr/documents/Q2-2013/total\\_customer\\_asset\\_under\\_control.pdf](http://www.ocif.gobierno.pr/documents/Q2-2013/total_customer_asset_under_control.pdf).
21. See [https://www.adviserinfo.sec.gov/IAPD/IAPDFirmSummary.aspx?ORG\\_PK=7691](https://www.adviserinfo.sec.gov/IAPD/IAPDFirmSummary.aspx?ORG_PK=7691).
22. See the Form ADV of Merrill Lynch, last updated on January 9, 2017. It is not clear whether the firm has branch office in Puerto Rico from the Form ADV.
23. See <https://www.ml.com/mlwm/pages/BranchByState.aspx?stateid=PR&statename=PUERTO%20RICO>.
24. Oriental's BrokerCheck report is available here [https://files.brokercheck.finra.org/firm/firm\\_29753.pdf](https://files.brokercheck.finra.org/firm/firm_29753.pdf)
25. Based on BrokerCheck reports as of December 31, 2013.
26. See [http://www.ocif.gobierno.pr/documents/Q2-2013/total\\_customer\\_asset\\_under\\_control.pdf](http://www.ocif.gobierno.pr/documents/Q2-2013/total_customer_asset_under_control.pdf).
27. See [https://www.adviserinfo.sec.gov/IAPD/IAPDFirmSummary.aspx?ORG\\_PK=29753](https://www.adviserinfo.sec.gov/IAPD/IAPDFirmSummary.aspx?ORG_PK=29753).
28. See the Form ADV of Oriental, last updated on March 30, 2016.